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SUBJECT: CYPRUS: WATER SUPPLY APPROACHING CRITICAL

REF: 07 NICOSIA 910

(U) This cable is sensitive but unclassified. Please protect accordingly.

[11](#). (SBU) Summary. Cyprus is in for a long, hot, and, worst of all, very dry summer. On March 24, the GOC announced emergency measures to deal with a dwindling water supply. A shortfall of around 16.7 million tons of water over the next year is expected to be made up through a combination of measures involving strict rationing of water (30 percent cuts, for now), conservation, increased capacity for desalination, and importing water from Greece via tankers. Analysts expect Cyprus' GDP to take a 0.2 percent hit this year due to the continuing drought, but it could be worse than that. End Summary.

[12](#). (SBU) A combination of mismanagement of available groundwater over previous years, steadily-declining annual rainfalls for more than a decade, large increases in overall water usage, and a general lack of foresight by past governments have created Cyprus's current nightmare-sized problem with water. Salt water intrusion into existing groundwater is a common problem all around Cyprus yet depletion of the already severely-strained water table continues at the rate of 23 million tons annually. While this is a huge reduction from the 42 million tons/annum depletion rate of a few decades ago, Cyprus's water table now holds only about one billion tons, compared to three billion 40 years ago.

Ration What We Have  
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[13](#). (SBU) Cyprus uses about 66.7 million tons of water per year. Currently, the country has barely 50 million tons available (from dams, desalination plants and wells), meaning that Cyprus is facing a 16.7 million ton water deficit over the coming year. Limassol is facing the worst problem, with a daily consumption of 40,000 tons, at a time when Kourris dam (Limassol's main source of water supply) holds just six million tons (about 4 percent of its capacity). In other words, the Kourris dam will be tapped out completely (assuming all the water in it is usable) in less than 150 days.

[15](#). (SBU) On April 2, Post Econ Officer and Econ Specialist met with Christodoulos Artemis, Director, GOC Water Development Department (WDD) for an update on the water situation. Artemis, who will be retiring around November 2008, was quite somber about the outlook, as he walked us through the GOC's action plan. One of the principal tools to be used will be severe water rationing. During a meeting of the Ministerial Council, Chaired by President Christofias on

March 24, the GOC decided to cut the supply of water to all municipalities by 30 percent. For Nicosia residents, this means having running water from the city supply for only eight hours every 48 hours. However, most buildings in Cyprus, whether residential or commercial, have large water tanks to deal with contingencies like these, and the demand for additional fiberglass storage tanks has been such that, according to Artemis, there are no more available on the local market.

#### Strained Water System Needs Straining

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¶6. (SBU) The last time Cyprus instituted such severe rationing was ten years ago. Since then, many residential and other buildings have been constructed all over the island. These are typically at the end of water lines and often on high ground to take advantage of views. The result in the current situation is that they are the last to get water when the lines are turned back on and the first to lose it again. Additionally, because rationing was thought to be a thing of the past, many of these newer homes do not have water storage tanks although swimming pools have become increasingly common.

¶7. (SBU) Turning water mains on and off is bad for every system due to the pressure changes and stirring of sediment. Many of Nicosia's pipes are more than 50 years old and leaky in the best of times. The rationing system is causing even more loss through leakage (including breaks in the main pipes) and due to the sediment that is stirred up from the process, some consumers are getting sediment-filled water when the lines are turned back on.

#### No Pricing Penalty For Wastage

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¶8. (SBU) Water rationing is intended to encourage conservation and wiser water usage in general. According to Artemis, if everyone conserved water, there would be no need for rationing. He noted that current water pricing policies give the wrong market signals, with water in general being under-priced relative to its cost to produce and scarcity and with no real cost-saving for conservation or penalties for over-use. This is because any change in water pricing must be agreed by parliament - a tough political task even in the middle of a drought.

#### Who Deserves Water More?

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¶9. (SBU) Only public hospitals have the GOC's permission for an uninterrupted supply of water, although other special-interest groups, including hoteliers and industrialists are raising a storm of protest, demanding similar privileges, otherwise threatening to curtail operations and fire staff. Hoteliers back up their demand noting that tourism is the backbone of the economy, contributing 20 percent of GDP. Similarly, industrialists argue that many industries (including alcoholic and non-alcoholic beverage manufacturers, dairies, etc.) use water as one of their main inputs.

President of the Cyprus Chamber of Commerce and Industry, Manthos Mavrommatis, told us that "inevitably" the economy would be hit by water rationing. Finance Minister Charilaos Stavrakis recently said that, according to preliminary, unofficial estimates, water rationing might cost the economic growth rate 0.2 percentage points in 2008, i.e. from an estimated 3.8 percent to 3.6 percent. Comment: If tourists begin to suspect that local hotels may suffer water shortages during the upcoming summer, we believe the impact on GDP could be greater than 0.2 percent. So far, bookings for the summer season have been very strong. End comment.

#### What's In The Works

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¶10. (SBU) In addition to water rationing and conservation, the Ministerial Council has approved plans to boost existing desalination capacity by 50,000 tons daily, as follows:

-- increase the capacity of the Dhekelia desalination plant by 50 percent, boosting production by 20,000 tons per day as of June 2008;

-- increase the capacity of the Larnaca desalination plant by 20 percent, boosting production by another 10,000 tons per day as of November 2008; and

-- commissioning a pre-fabricated desalination plant at Pyrgos/Moni, near Limassol to produce 20,000 tons of water per day, starting in October 2008. This tender has already been awarded to a U.K.-Israeli consortium. (According to the Israeli company's -Nirosoft- website, it has never constructed a plant of this capacity before; the UK company, SubSea Infrastructure, appears to be a start-up with no previous record.) Water produced from this facility will pass through the Limassol water treatment plant, before being fed to Limassol. This facility will be built on a Build, Operate, and Remove (BOR) basis; the consortium is required to dismantle and remove the project after three years, since the GOC is planning to have a permanent desalination plant for Limassol operational by 2010.

¶11. (SBU) The Ministerial Council also authorized on March 24 the emergency importation via tankers of up to 8 million tons of water from Greece. This expensive but necessary undertaking will add another 50,000 tons of water per day to Cyprus' existing balance over a period of six months. The project will require construction of terminal stations both on the receiving end (in Yermasoyia, near Limassol) and on the departing end (in Elefsina, near Athens). The GOC's normal tendering procedure will be by-passed, as this project is treated as urgent. Two companies have already expressed interest, and one of them (Cypriot shipping company Ocean Tankers) has pledged that it can have the water here in two months, provided the land infrastructure is ready. Given that it will take up to five months to construct the land terminals, the GOC expects to have the project on line by August 2008. Some analysts also doubt that Greece, a country with its own chronic droughts that experienced devastating fires last year, will be willing to ship water to Cyprus if there are any signs of its own shortages.

¶12. (SBU) All together, the above infrastructure projects are designed to produce an extra 100,000 tons of water per day, meeting

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the 16.7 million tons deficit mentioned above. The cost of the anticipated infrastructure development, increased energy usage, and higher operating costs will apparently be borne by the GOC. We have found no estimates of what this cost will be, although Artemis noted that the tanker option especially would be "extremely expensive." If GDP is more seriously affected by the drought, government revenues will fall even as the cost of water provision skyrockets.

¶13. (SBU) Comment: The WDD has been arguing in favor of water restrictions (albeit, not publicly) for several months now. With its eyes fixed on the February Presidential elections, the previous administration disregarded such calls. Now, the new administration is scrambling to put in place measures that will be both hugely expensive and unlikely to come on-line until this autumn at the earliest; after the season of peak demand for water has passed. In any case, according to the WDD, no additional water will be supplied from existing resources until new sources come on-line. With water demand in summer so much greater than now (due to the heat and the influx of tourists) the water that is now available 8 hours out of 48 may be available for even less time. The worst-case scenario (not on the table at this point) calls for the GOC declaring a national emergency to enforce further water rationing and more strict enforcement of usage limits. The political costs of something like that would be enormous so the government would only use it as an absolute last resort. The economic costs to tourism and industry would be significant. This, apparently, would still be preferable to pricing water to reflect its true costs or in limiting water to farmers (who contribute 2 percent to GDP but consume 85 percent of water.) As one observer noted, "it makes no sense for a desert island to export water in the form of potatoes and oranges." End Comment.

